



Federal
Financial
Management
System
Requirements

Core Financial System Requirements

Foreword

The *Core Financial System Requirements* document, first issued January 1988, has been updated to reflect the passage of legislation, such as the Chief Financial Officers Act of 1990 (CFO Act); the creation of the Federal Accounting Standards Advisory Board; the experiences of the departments and agencies in using the original document; and the views of the CFO Council's Financial Systems Committee, the President's Council on Integrity and Efficiency, and others interested in improving financial systems in the federal government. Significant revisions have been made to the document to make it more useful as an evaluation tool for agency systems.

An interim final revision to this document was published in April 1994, pending publication of the *Framework for Federal Financial Management Systems*. The Introduction and Framework chapters were subsequently modified to reflect the *Framework for Federal Financial Management Systems*. Some changes were also made to the cost management function to recognize publication of Statement of Federal Financial Accounting Standards Number 4, *Managerial Cost Accounting Concepts and Standards for the Federal Government*. Additional revisions to the *Core Financial System Requirements* can be expected as the government moves forward in such areas as implementing the managerial cost accounting standards and other accounting standards, increasing the use of performance measurement, and using electronic commerce.

With passage of the CFO Act, the Core financial system requirements have become increasingly more important because of the Act's requirement for effective financial management systems. The CFO Act created the Office of Federal Financial Management and a Controller to head it within the Office of Management and Budget, with responsibility to provide overall direction and leadership to agencies on financial management matters by establishing financial management policies and requirements, and by monitoring the establishment and operation of agency financial management systems. The Office of Federal Financial Management provided major input to updating this document. Representatives from several agencies participated in many meetings to review comments received on drafts and to revise this document.

The CFO Act places specific responsibility for developing and maintaining effective systems with the Chief Financial Officers in federal agencies. The *Core Financial System Requirements* is a major step to developing and maintaining effective agency financial systems envisioned under the CFO Act.

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September 1995

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The United States Government is the world's largest and most complex enterprise. Effectively managing an enterprise of this size requires good information. Financial management systems are critical tools in the overall effort to reform government. The federal government has been working to improve financial management systems for several years through a variety of initiatives. Establishment of the U.S. Government Standard General Ledger and publication of the JFMIP *Core Financial System Requirements* are just two examples. The financial management system requirements in this document apply to all departments and agencies in the executive branch of the federal government.

In 1982 Congress enacted the Federal Managers' Financial Integrity Act (FMFIA). This act requires agency heads to establish controls that provide reasonable assurances that (i) obligations and costs comply with applicable law; (ii) funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and (iii) revenues and expenditures are properly recorded and accounted for.

The Chief Financial Officers Act of 1990 (CFO Act) strengthened the government's efforts by assigning clearer financial management responsibilities to senior officials and by requiring new financial organizations, enhanced financial systems, audited financial statements, and improved planning.

The Federal Accounting Standards Advisory Board (FASAB) was established in October 1990 by the Secretary of the Treasury, the Director of the Office of Management and Budget, and the Comptroller General to recommend federal accounting principles and standards. After the Board's sponsors decide to adopt recommendations, the standards are published by the U.S. General Accounting Office and the Office of Management and Budget and then become effective. The Statements of Federal Financial Accounting Standards (SFFAS) are published by OMB as the official standards for the executive branch. OMB revises and reissues its bulletins on the "Form and Content of Financial Statements" to be consistent with the standards. Pending issuance of basic accounting standards, the hierarchy contained in OMB's "Form and Content" Bulletin shall constitute an "other comprehensive basis of accounting" and shall be used for preparing federal financial statements.

OMB Circular A-127, "Financial Management Systems," initially issued in 1984, was revised in 1993. This Circular sets forth general policies for federal financial management systems and relates these policies to those in OMB Circular A-130, "Management of Federal Information Resources," and OMB Circular A-123, "Management Accountability and Control."

In the spring of 1994, the Chief Financial Officers Council (CFO Council) adopted the following vision for financial management:

Enabling government to work better and cost less requires program and financial managers, working in partnership using modern management techniques and integrated financial management systems, to ensure the integrity of information,

make decisions, and measure performance to achieve desirable outcomes and real cost effectiveness.

Increasingly, integrated financial management systems are expected to support program managers, financial managers, and budget analysts at the same time. Information supplied by these systems is expected to become more timely, accurate, and consistent across government. Systems and data are being shared more and more by agencies with common needs.

This document was originally developed by an interagency task force under the direction of JFMIP to define uniform core financial system requirements that identify the basic financial system needs of federal departments and agencies. The original document was published in January 1988. This update of the *Core Financial System Requirements* was developed by another interagency task force and was coordinated with the CFO Council's Financial Systems Committee, the President's Council on Integrity and Efficiency, and others. A Technical Advisory Committee comprised of representatives of the central agencies and several major departments and agencies provided additional review and advice.

In addition to changes made to reflect new legislation and new policies, changes have been made to clarify the document's purpose and place within a series of federal financial management systems requirements documents. When this document was first published in 1988, it served as a basis for the GSA Financial Management Systems Software (FMSS) schedule request for proposals and as standardized requirements for agencies' systems. In this version, the document has been modified to emphasize the financial management functions which must be supported by the system in the manner best suited to that agency and in conformance with appropriate strategies for managing agency operations and information resources.

Some sections that apply to all financial management systems, such as internal controls, system security, training, documentation, and support, have been removed from this document. These requirements are discussed in the *Framework for Federal Financial Management Systems* published by JFMIP. However, note that internal controls and security considerations are interspersed throughout this document.

The next chapter of this document sets forth the framework for the establishment and maintenance of an integrated federal financial management system. An overview of the core financial system and summary of requirements is provided in the System Overview chapter. Specific requirements are presented in detail in the Functional Requirements chapter. Appendices provide Terminology, a Summary of External Reporting Requirements, and a list of the Review Team Members.

The *Core Financial System Requirements* document establishes standard requirements for the “backbone” modules of an agency’s integrated financial management system. It provides common processing routines, supports common data for critical financial management functions affecting the entire agency, and maintains the required financial data integrity control over financial transactions, resource balances, and other financial management systems. This document is a part of a broad program to improve federal financial management which involves the establishment of uniform requirements for financial information, financial systems, reporting, and financial organization.

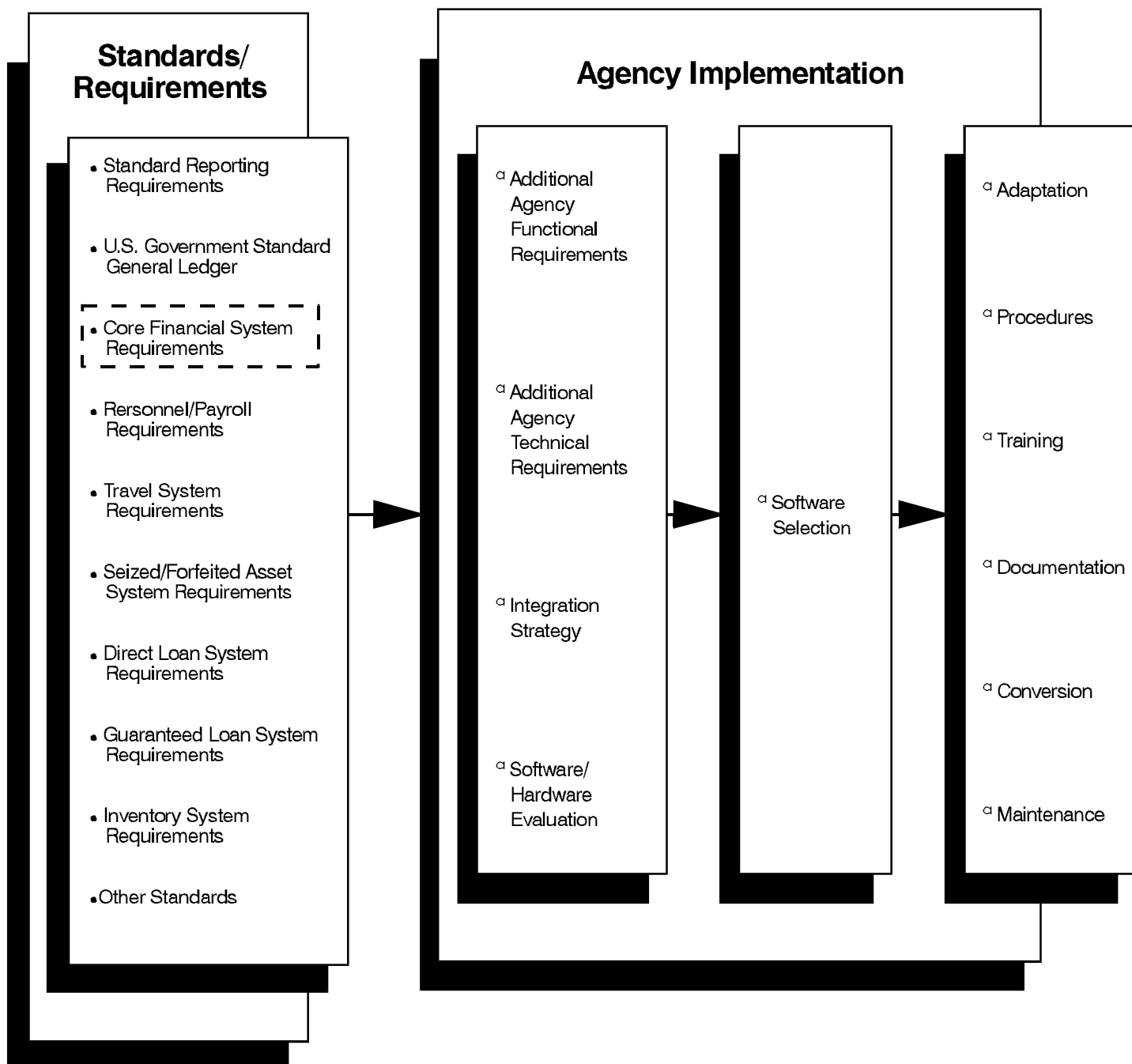
As shown in Illustration 1, standards and system requirements assist agencies in developing effective and efficient systems and provide a common framework so that outside vendors or in-house programmers can provide software more economically. Each agency should integrate its unique requirements with these governmentwide standard requirements to provide a uniform basis for the standardization of financial management systems as required by the Chief Financial Officers Act of 1990. The responsibility for financial management improvement, implementation of integrated systems, and compliance with established standards rests with the Chief Financial Officer of each agency.

The financial management systems in the federal government must be designed to support the vision articulated by the government’s financial management community. This vision requires financial management systems to support the partnership between program and financial managers and to assure the integrity of information for decision-making and measuring of performance. This includes the ability to:

- collect accurate, timely, complete, reliable, and consistent information;
- provide for adequate agency management reporting;
- support governmentwide and agency level policy decisions;
- support the preparation and execution of agency budgets;
- facilitate the preparation of financial statements, and other financial reports in accordance with federal accounting and reporting standards;
- provide information to central agencies for budgeting, analysis, and governmentwide reporting, including consolidated financial statements; and
- provide a complete audit trail to facilitate audits.

Illustration 1

Financial System Improvement Projects



— — — Subject of
— — — this report

In support of this vision, the federal government must establish governmentwide financial management systems and compatible agency systems, with standardized information and electronic data exchange, to support program delivery, safeguard assets, and manage taxpayer dollars.

It is critical that financial management system plans support the agency's mission and programs, including planned changes to them, and that the financial management systems plans are incorporated into the agency's plans for information technology infrastructure and information systems as a whole. Further, system design efforts should include an analysis of how system improvements, new technology supporting financial management systems, and modifications to existing work processes can together enhance agency operations and improve program and financial management. Reassessing information and processing needs and redesigning processes, procedures, and policies are essential steps to meeting user needs.

Integrated Financial Management Systems

Financial management systems must be designed with effective and efficient interrelationships between software, hardware, personnel, procedures, controls, and data contained within the systems. To be integrated, financial management systems must have (i) standard data classifications (definition and formats) established and used for recording financial events; (ii) common processes used for processing similar kinds of transactions; (iii) internal controls over data entry, transaction processing, and reporting applied consistently; and (iv) a system design that eliminates unnecessary duplication of transaction entry.

The financial management systems policy stated in OMB Circular A-127 requires that each agency establish and maintain a single, integrated financial management system. Without a single, integrated financial management system to ensure timely and accurate financial data, poor policy decisions are more likely due to inaccurate or untimely information; managers are less likely to be able to report accurately to the President, the Congress, and the public on government operations in a timely manner; scarce resources are more likely to be directed toward the collection of information rather than to delivery of the intended programs; and modifications to financial management systems necessary to keep pace with rapidly changing user requirements cannot be coordinated and managed properly. The basic requirements for a single, integrated financial management system are outlined in Section 7 of OMB Circular A-127.

Having a single, integrated financial management system does not necessarily mean having only one software application for each agency covering all financial management system needs. Rather, a single, integrated financial management system is a unified set of financial systems and the financial portions of mixed systems encompassing the software, hardware, personnel, processes (manual and automated), procedures, controls, and data necessary to carry out financial management functions, manage financial operations of the agency, and report on the agency's financial status to central

agencies, Congress, and the public. Unified means that the systems are planned for and managed together, operated in an integrated fashion, and linked together electronically in an efficient and effective manner to provide agencywide financial system support necessary to carry out the agency's mission and support the agency's financial management needs.

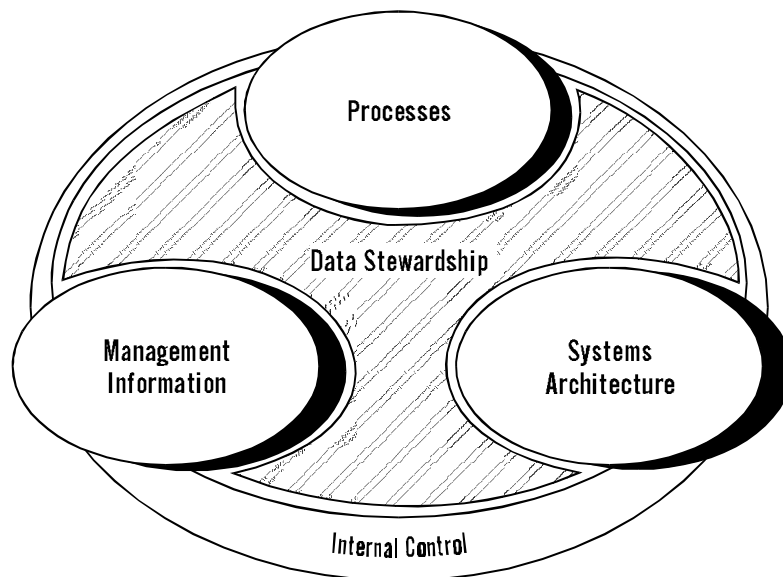
Integration means that the user is able to have one view into the systems such that, at whatever level the individual is using the system, he or she can get to the information needed efficiently and effectively through electronic means. However, it does not mean that all information is physically located in the same database. Interfaces, where one system feeds data to another system following normal business/transaction cycles, such as salary payroll charges recorded in general ledger control accounts at the time the payroll payments are made, may be acceptable as long as the supporting detail is maintained and accessible to managers. In such cases, interface linkages must be electronic unless the number of transactions is so small that it is not cost-beneficial to automate the interface. Easy reconciliations between systems, where interface linkages are appropriate, must be maintained to ensure accuracy of the data.

To develop any integrated information system, it is critical that the senior systems analysts and systems accountants identify:

- the scope of the functions to be supported (processes),
- how data quality will be assured (data stewardship),
- the information to be processed (management information),
- how systems fit together to support the functions (systems architecture), and
- safeguards needed to ensure the integrity of operations and data (internal control).

All of these pieces must be brought together in a model such as the one shown in Illustration 2. These pieces must work together to form an effective integrated information system. A change to any part of the model will require determination of the implications on other parts of the model. For example, a new reporting requirement may require changes throughout the entire model.

Illustration 2

**Integrated Model for
Federal Information Systems*****Agency Financial Management Systems Architecture***

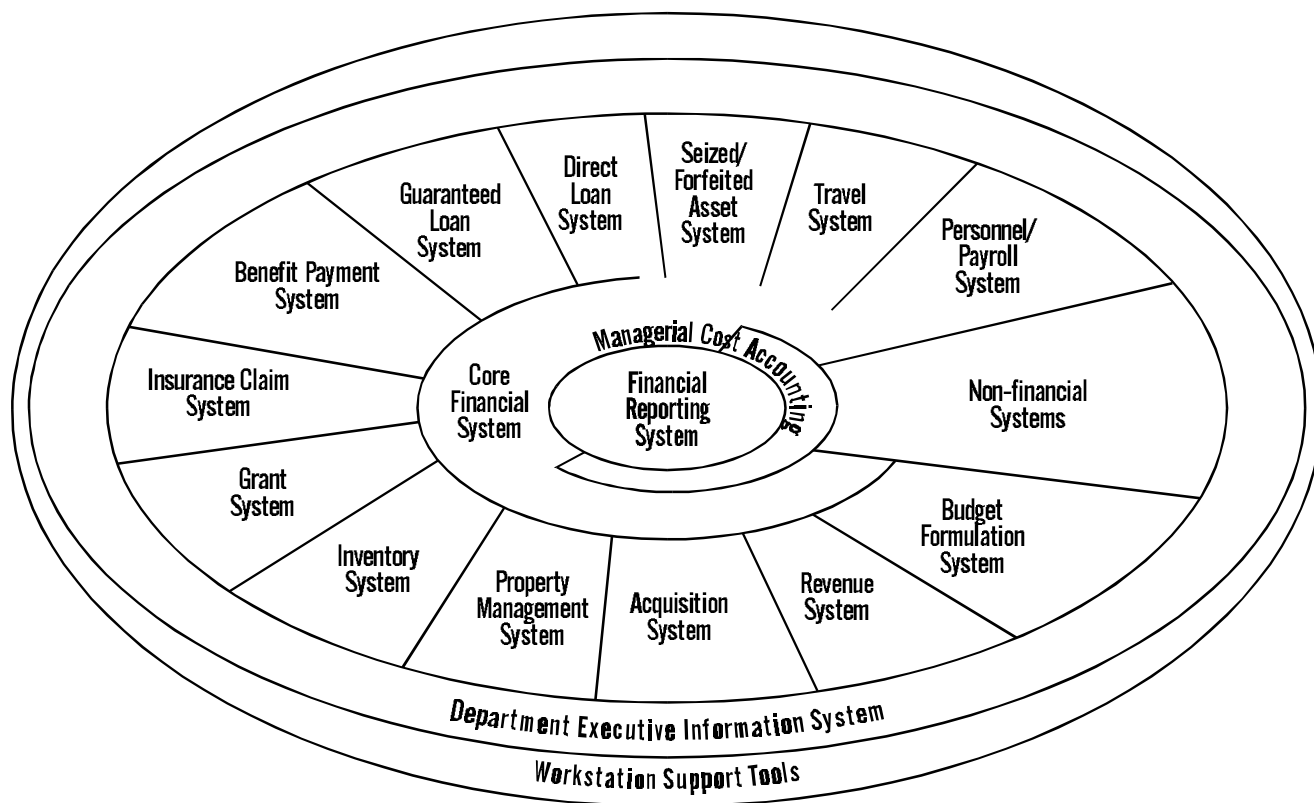
Agency financial management systems are information systems which track financial events and summarize information to support the mission of an agency, provide for adequate management reporting, support agency level policy decisions necessary to carry out fiduciary responsibilities, and support the preparation of auditable financial statements. Agency financial management systems fall into four categories: core financial systems, other financial and mixed systems (including inventory systems), shared systems, and departmental executive information systems (systems to provide management information to all levels of managers). These systems must be linked together electronically to be effective and efficient. Summary data transfers must be provided from agency systems to central systems to permit summaries of management information and agency financial performance information on a governmentwide basis.

Subject to governmentwide policies, the physical configuration of financial management systems, including issues of centralized or decentralized activities, processing routines, data, and organizations, is best left to the determination of the agency, which can determine the optimal manner in which to support the agency mission. The physical design of the system, however, should consider the agency's organizational philosophy, the technical capabilities available, and the most appropriate manner to achieve the necessary single, integrated financial management system for the agency.

The agency systems architecture shown in Illustration 3 provides a logical perspective identifying the relationships of various agency system types. Although this does not necessarily represent the physical design of the system, it does identify the system types needed to support program delivery/financing and financial event processing for effective and efficient program execution.

Illustration 3

Agency Systems Architecture



Core Financial System

As shown in Illustration 3, the core financial system is an integral part of an agency's single, integrated financial management system. It controls and supports the key functions of an agency's financial management, including general ledger management, funds management, payment management, receipt management, cost management, and reporting. The core financial system receives data from all other financial and mixed systems and from direct user input, and it provides data and supports processing for those systems that need it.

Financial management system development and implementation efforts shall seek cost effective and efficient solutions as required by OMB Circular

A-130, “Management of Federal Information Resources.” Agencies are encouraged to use “off-the-shelf” software to reduce costs, improve the efficiency and effectiveness of financial system improvement projects, and reduce the risks inherent in developing and implementing a new system; however, as stated previously, the agency has the ultimate responsibility for implementing sound financial management practices and systems, and cannot depend entirely on a vendor or contractor to do it for them.

The General Services Administration (GSA) maintains the Financial Management System Software (FMSS) Multiple Award Schedule for vendors providing acceptable software which meets these core financial system requirements. Agencies acquiring software to meet core financial system requirements must use the FMSS schedule unless a waiver is granted under the *Federal Information Resource Management Regulations* (FIRMR).

This chapter provides an overview of a Core financial system. The overview has the following sections:

- Summary of Functions, which presents a high-level description of the functions supported by the Core financial system and describes how Core financial systems interact with other systems.
- Data Requirements, which discusses the types of data needed to perform the various functions of a Core financial system.

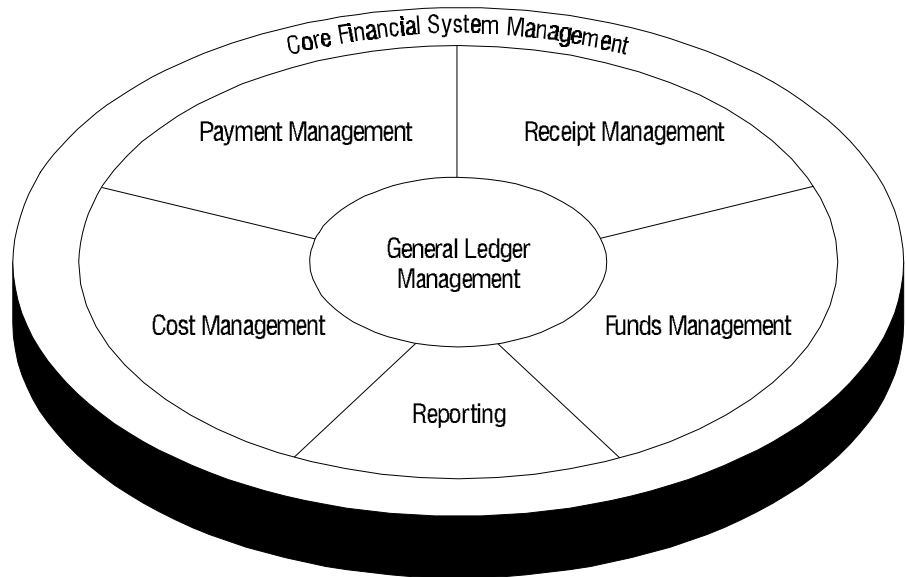
Summary of Functions

The following is a brief description of the major functions of a Core financial system. The Functional Requirements chapter provides a detailed description of each function, including the lower level processes within each function. Illustration 4 depicts the functions within the Core financial system.

A single financial event will require processing by more than one function within the Core financial system. The Core Financial System Management function affects all financial event transaction processing because it maintains reference tables used for editing and classifying data, controls transactions, and maintains security. Likewise, the General Ledger Management function is involved either directly or indirectly with each financial event since all transactions to record financial events must be posted to the general ledger either individually or in summary. Any transactions involved in budget execution will use the Funds Management function.

An example of a financial event affecting multiple functions is a payment including additional charges not previously recorded, such as interest costs due to late payment or additional shipping charges allowed by the contract. This transaction would originate in the Payment Management function, be edited for funds availability and update balances in the Funds Management function for the excess costs and to move the undelivered order amount to an expenditure status, update cost amounts controlled by the Cost Management function, update the general ledger balances in the General Ledger Management function, and be edited against reference data and update audit trails in the Core Financial System Management function.

Illustration 4



Core Financial System Management

The Core Financial System Management function consists of the processes necessary to maintain system processing rules consistent with established financial management policy. This function sets the framework in which all other Core financial system functions operate. The Core Financial System Management function consists of the following processes:

- Accounting Classification Structure Management
- Standard General Ledger
- Transaction Control
- Archiving and Purging

Other processes, such as application security and other internal controls, needed to support general requirements which apply to all financial management systems also fall under this function.

General Ledger Management

General Ledger Management is the central function of the Core financial system. The general ledger is the highest level of summarization and must maintain account balances by the fund structure and individual general ledger accounts established in the Core Financial System Management function. Depending on the agency's reporting requirements, some or all general ledger accounts may have balances broken out by additional elements of the

accounting classification structure. All transactions to record financial events must post, either individually or in summary, to the general ledger, regardless of the origin of the transaction.

The general ledger is supported by subsidiary ledgers at various levels of detail. These subsidiary ledgers may be maintained within the Core financial system or in other systems. For example, detailed property records supporting the equipment account in the general ledger might be maintained in a system devoted to controlling and maintaining equipment. The payroll system might contain detailed employee pay records which support records of expenditure by object class and organization in the Core financial system, which in turn provide partial support for expenditure and expense accounts in the general ledger.

The General Ledger Management function consists of the following processes:

- General Ledger Posting
- Accruals, Closing, and Consolidation
- General Ledger Analysis and Reconciliation

Funds Management

Each agency of the federal government is responsible for establishing a system for ensuring that it does not obligate or disburse funds in excess of those appropriated and/or authorized. The Funds Management function of the Core financial system is an agency's primary tool for carrying out this responsibility.

OMB Circular A-34, "Instructions on Budget Execution," and, to a lesser extent, OMB Circular A-11, "Preparation and Submission of Budget Estimates," set government-wide policy for funds management with which the Core financial system must conform. In addition to supporting the government-wide policies, the Funds Management function must support agency policies on internal funds allocation methods and controls.

An agency may have many other systems in addition to the Core financial system that affect funds management. For example, procurement and travel systems prepare documents that commit and obligate funds. These and other systems that affect funds availability should access data and use processes of the Core financial system to verify that funds are available and to update balances. When possible and cost-effective, these systems should access the funds availability editing activity before allowing an obligation to be incurred, such as a contract being signed. In some cases, such as payroll, this may not be practical.

The Funds Management function consists of the following processes:

- Funds Allocation

Payment Management

- Funds Control

The Payment Management function should provide appropriate control over all payments made by or on behalf of an agency. Agencies make payments to vendors in accordance with contracts; to state governments under a variety of programs; to employees for salaries and expense reimbursements; to other federal agencies for reimbursable work performed; to individual citizens receiving federal benefits; to recipients of federal loans; and for many other reasons.

OMB Circular A-125 specifies government policy for payments made to vendors against contracts, stating, in part, that agencies must make payments on time, pay interest penalties when payments are late, and take discounts only when payments are made on or before the discount date. The Cash Management Improvement Act (CMIA) specifies requirements for payments made to states. Regulations implementing CMIA are at 31 CFR Part 205. Other regulations affect payments made for travel, payroll, benefits, and other purposes.

Depending on an agency's system architecture, specific activities performed relating to payments may be supported by other systems which provide summary data to the Core financial system for control and management purposes. For example, payroll systems usually trigger the actual disbursement process to pay employees through direct deposit or by check and send only the expense and disbursement information to the Core financial system for recording by the general ledger, funds control, and cost accumulation processes. Likewise, large loan and grant programs might be supported by systems that maintain their own detailed information on payees and payments and send summary data to the Core financial system. If this situation exists, these other systems must meet the requirements listed here for payment management.

Other systems may also support activities which lead up to the payment stage, such as recording obligations and expenditures and establishing payables, but depend on the Core financial system to manage the actual payment process itself. For example, a travel system might calculate the amount to be paid on a travel voucher and send transactions to the Core financial system to record the expenses and a payable to the traveler. The Core financial system would then take over to schedule the payment for disbursement and confirm that it occurred.

The Payment Management function consists of the following processes:

- Payee Information Maintenance
- Payment Warehousing
- Payment Execution

Receipt Management

- Payment Confirmation and Follow-up

The Receipt Management function supports activities associated with recording agency cash receipts, including servicing and collecting receivables. Receivables are established to account for amounts due from others as the result of performance of services by the agency, delivery of goods sold, the passage of time (e.g., interest earned), loans made to others which must be repaid, or other actions. Some receipts may be collected without the prior establishment of a receivable, as in the case of goods sold for cash.

A receivable is recognized when the agency establishes a claim to cash or other assets against other entities, either based on goods or services provided or on legal provisions, such as a payment due date (e.g., taxes not received by the date they are due). If the exact amount is unknown, a reasonable estimate is made. Receivables are accounted for as assets until funds are collected, converted into other resources, or determined to be uncollectible in whole or in part.

Depending on an agency's system architecture, servicing and collection activities for some receivables may be supported by other systems which provide data to the Core financial system. This would be particularly appropriate for receivables resulting from large programs with complex supporting data requirements, such as loan programs, grant programs, or fee-for-service programs. Servicing and collection for receivables with simpler requirements for supporting data, such as those resulting from erroneous payments, may be supported directly by the Core financial system with no support by other systems.

The Receipt Management function includes recording, billing, monitoring, and collecting amounts due the government whether previously established as a receivable or not. These activities must be supported by aging schedules, exception reports, and reports used to monitor due diligence efforts.

The Receipt Management function consists of the following processes:

- Receivable Establishment
- Receivable Management
- Collections

The Cost Management function of the Core financial system attempts to measure the total cost of performing an activity. This is essential for providing accurate program management information, performance measures, and financial statements with verifiable disclosure of the cost of activities. The term cost refers to the financial measurement of resources used in accomplishing a specific purpose, such as performing a service, carrying out an activity,

acquiring an asset, or completing a unit of work or a specific project. The level of sophistication of the Cost Management function is dependent on the operational nature (appropriation only, appropriation with reimbursable authority, revolving fund), the programs involved, and the requirements of the agency. In most instances, in an environment where the primary mission is to produce a product for sale, the costing function necessary for product costing is done in systems subsidiary to and integrated with the Core Financial System. However, in any Core system, there are certain basic functions that must be present.

The Cost Management function consists of the following processes:

- Cost Recognition
- Cost Accumulation
- Cost Distribution

Once costs have been recognized, the system accumulates costs in accordance with agency requirements, then provides for the distribution of costs to cost objectives.

Cost Management

The Core financial system must be able to provide financial information in a timely and useful fashion to (1) support management's fiduciary role; (2) support budget formulation and execution functions; (3) support fiscal management of program delivery and program decision making; (4) support internal and external reporting requirements, including, as necessary, the requirements for financial statements prepared in accordance with the form and content prescribed by OMB, reporting requirements prescribed by Treasury, and legal, regulatory and other special management requirements of the agency; and (5) monitor the financial management system.

Information maintained by the Core financial system must be provided in a variety of formats to users according to their needs. Methods of providing information include on-line inquiries, extract data files, and hard-copy reports. These requirements could be satisfied by (1) application software that is part of the Core financial system, (2) generalized reporting/inquiry software that works with a variety of applications, or (3) a combination of both, the most likely case.

The Reporting function consists of the following processes:

- Access to Information
- Financial Reporting
- System Monitoring

Data Requirements

The Core financial system stores, accesses and updates several types of data. In this document, a grouping of related types of data is referred to as an “information store.” The term “information store” is used rather than “database” or “file” to avoid any reference to the technical or physical characteristics of the data storage medium. Actual data storage (physical databases and files) must be determined by each agency during system development and implementation based upon agency statutory requirements, technical environment, processing volumes, organizational structure, and degree of system centralization or decentralization.

The information stores defined here are logical groupings of data. Some of this data may be derived from summarizing more detailed data and, as a result, may not be stored in a permanent, physical form in some systems. In other cases, implementation of a single information store may involve several record types or files. As stated above, the physical storage characteristics are considered part of the specific system implementation strategy, which is outside the scope of this document.

The information stores used by the Core financial system are as follows:

General Ledger. This refers to data summarized to the level of a trial balance for each fund by fiscal year; includes control totals for all general ledger accounts.

Funds Availability. This refers to data supporting the funds allocation and funds control processes; tracks budgetary resources and usages (such as, but not limited to, allotments, commitments, undelivered orders, and expenditures) at the various levels within the accounting classification structure that an agency wishes to control its funds.

Operating Data. This refers to subsidiary ledger supporting data for general ledger accounts tracked at the lowest level of the accounting classification structure; typically used for cost data, detailed funds reporting, and similar purposes which require data by organization, program, etc.; may be used to support some or all general ledger accounts, depending on an agency’s internal management and reporting needs.

Documents. This refers to balances and descriptive data of individual documents, such as requisitions, purchase orders, contracts, vouchers, billings, advances, and the like.

Posted Transactions. This refers to data from financial transactions that have been processed, accepted and posted to the system; used to provide an audit trail of financial transactions.

Suspended Transactions. This refers to data from financial transactions that have been placed in a suspended status, not posted to the other information stores, due to errors in the data or due to the timing of the processing cycle for them, such as holding for overnight processing.

Logging Data. This refers to data used for audit trails to record activity in the system other than financial transactions, such as table changes.

Reference Data. This refers to data used to control actions of the system, define codes and descriptive titles, etc., such as accounting classification structure code tables, general ledger account definitions, transaction definitions, and security control tables.

External Entities. This refers to data concerning other entities the agency deals with, such as payees and customers, including name, address, taxpayer identification number, banking information, or other appropriate data depending on the function associated with the entity.

Functional Requirements

The Functional Requirements chapter identifies the governmentwide requirements for a Core financial system to support the fundamental financial functions of a federal agency. The major functions supported by a Core financial system are:

- Core Financial System Management
- General Ledger Management
- Funds Management
- Payment Management
- Receipt Management
- Cost Management
- Reporting

These functions together provide the basic information and control needed to carry out financial management functions, manage the financial operations of an agency, and report on the agency's financial status to central agencies, Congress, and the public, including data needed to prepare the four principal financial statements for federal agencies.

**Core Financial
System
Management
Function**

The Core Financial System Management function consists of the processes necessary to maintain system processing rules consistent with established accounting policy. This function sets the framework in which all other Core financial system functions operate. The Core Financial System Management function consists of the following processes:

- Accounting Classification Structure Management
- Standard General Ledger
- Transaction Control
- Archiving and Purging

Other processes needed to support general requirements which apply to all financial management systems also fall under this function. These processes include application security and other internal controls.

Within each department or agency, the accounting classification structure, standard general ledger and subsidiary account structure, and definitions must be standardized to ensure consistency, uniformity, and efficiency in accounting treatment, classification, and reporting. Furthermore, the procedures for capturing, classifying, communicating, processing, and storing data and transactions must be uniform (or translatable among the various subsystems or system components as necessary).

**Accounting
Classification
Structure
Management
Process**

The Accounting Classification Structure Management process provides a consistent basis for:

- Consolidating governmentwide financial information.
- Integrating planning, budgeting, and accounting.
- Capturing data at the lowest level of detail—at the point of data entry—throughout the agency in a manner that ensures that when data is rolled up to the level that is standardized, it is consistent at the standardized level.
- Comparing and combining similar programs across agencies and calculating overall program results.

OMB Circular A-127 requires financial management systems to reflect an agency-wide financial information classification structure that is consistent with the U.S. Government Standard General Ledger (SGL), provides for tracking of specific program expenditures, and covers financial and financially related information. Financial management system designs shall support agency budget, accounting, and financial management reporting processes by providing consistent financial information for budget formulation, budget

execution, programmatic and financial management, performance measurement, and financial statement preparation.

The accounting classification structure is a subset of the agency financial information classification structure, which also includes financially-related personnel information, performance measurement information, and other financial information needed by the agency. It provides the means for categorizing financial information along several dimensions as needed to support financial management and reporting functions. The data elements a particular agency includes in its accounting classification structure will depend in part on the implementation strategy for the SGL (e.g., use of sub-accounts versus data elements), data aggregation requirements for preparation of financial statements under the CFOs Act, appropriation structure, and internal reporting and management needs of the agency.

To support the Accounting Classification Structure Management process, the Core financial system must:

- Provide the capability to classify accounting transactions by the following structures: fund, program, organization, project, object, and any other structures needed to meet the data classification and reporting needs of the agency.
- Achieve, to the extent possible, consistency in budget and accounting classifications and synchronization between those classifications and the agency's organizational structure.
- Provide a fund structure which defines each entity for which separate accounting and reporting are needed to meet legal and assigned responsibilities and reporting requirements. This structure should provide for identification of appropriation or fund accounts established by OMB and Treasury through the budget process, receipt accounts, credit program and financing accounts, deposit funds, clearing accounts, and other accounts as may be deemed necessary. The fund structure must provide for additional detail below the appropriation level to support fiscal year accounting, appropriation subaccounts used for reporting to Treasury, and financial statement preparation.
- Relate Federal Account Symbols and Titles (FAST) structures established by Treasury to the system's fund structure for reporting purposes.
- Identify the type of budgeting, accounting, and reporting treatments to be used for each fund (e.g., one-year appropriation, no-year appropriation, revolving fund, trust fund, receipt account).
- Provide a program structure with sufficient levels of detail to allow reporting for all categories on which budgetary decisions are made, whether legally binding, as in appropriation limitations, or in the nature of policy guidance, as in Presidential passbacks, Congressional mark-up tables, or internal agency decisions.

- Provide an organization structure based on responsibility assignments, such as offices, divisions, and branches.
- Use Agency Location Codes assigned by Treasury for all transactions and reports involving Treasury disbursing centers, such as SF-224 “Statement of Cash Transactions,” SF-215 “Deposit Ticket,” and SF-5515 “Debit Voucher.”
- Provide a project structure which is independent of the other classification structures to allow multiple organizations, programs, and funding sources to be associated with a project. Projects are used to plan and account for an undertaking of something to be accomplished, produced, or constructed, having a finite beginning and a finite ending, such as a construction project or a research and development project.
- Provide an object class structure consistent with the standard object class codes contained in OMB Circular A-11, “Preparation and Submission of Budget Estimates.” This structure must also accommodate additional levels (higher and/or lower) needed to support agency management reporting and control needs.
- Provide a revenue source code structure to identify and classify types of revenue and receipts received by an agency so that they may be represented properly on the agency’s financial statements.
- Support other classification structure elements necessary to meet agency management reporting and control needs.
- Derive the expanded accounting classification structure from abbreviated user input so that user input is minimized, data entry is made easier, and errors are reduced. Examples of methods include entering “shorthand codes” using a keyboard function to look up additional elements, “clicking” on entries in a “lookup table” or “pop-up menu,” and scanning a bar code.
- Be flexible enough to handle additions, deletions, and changes to accounting classification structure codes without extensive program or system changes. Table-driven systems, where frequently changed information is kept in tables separate from program logic and under a system administrator’s control, and data base management systems are two examples of ways to provide such flexibility.

**Standard General
Ledger Process**

The Standard General Ledger process establishes the general ledger account structure for the agency in accordance with the U.S. Government Standard General Ledger (SGL) and the transaction edit and posting rules to record financial events. The prescribed basis for federal agency accounting is the accrual basis (31 U.S.C. 3512(e)). The SGL account and transaction definitions and the form and content requirements for financial statements were developed consistent with this concept.

The Standard General Ledger process consists of two activities: Account Definition and Transaction Definition.

Account Definition. OMB Circular A-127 requires implementation of the SGL at the transaction level. The SGL is described in a supplement to the Treasury Financial Manual, which includes the chart of accounts, account descriptions and postings, accounting transactions, suggested data elements/subaccounts, and crosswalks to standard external reports. Each agency must implement a chart of accounts that is consistent with the SGL and meets the agency's information needs.

To support the Account Definition activity, the Core financial system must:

- Use a chart of accounts consistent with the basic numbering structure provided in the SGL. Any expansion to the numbering system must roll up to the accounts provided in the SGL.
- Incorporate both proprietary and budgetary accounts in the system, and maintain the appropriate relationships between accounts as described in the SGL.
- Use account titles consistent with the account titles provided in the SGL.
- Provide subsidiary support for SGL accounts. This support, whether provided by subsidiary accounts or additional data elements, may be as detailed as the agency deems appropriate for asset protection, management information, and fund accounting.
- Support an account structure for multiple appropriations or funds and multiple fiscal years within the appropriations, including single-year, multi-year, and no-year appropriations. Other classification structure elements should be used to break out account balances as deemed appropriate by the agency for reporting or control purposes.
- Use the chart of accounts as the basis for preparing external reports to OMB and Treasury.

Transaction Definition. The Transaction Definition activity defines the editing and posting rules for transactions in the Core financial system. OMB Circular A-127 requires common processes to be used for processing similar kinds of transactions throughout an integrated financial management system to enable transactions to be reported in a consistent manner. It also requires financial events to be recorded applying the requirements of the SGL at the transaction level. Many of the SGL accounting transaction descriptions require a single accounting event to update multiple budgetary and proprietary accounts.

To support the Transaction Definition activity, the Core financial system must:

Functional Requirements

Core Financial System Management Function

- Use standardized transactions identified by reference codes to control transaction editing, posting to the appropriate general ledger accounts, and updating of other information maintained in the system, such as document balances and available funding.
- Provide an easily accomplished capability for a knowledgeable person with proper authority to establish or modify standardized transactions, including system-generated transactions.
- Provide the capability for transactions to update both budgetary and proprietary accounts based on a single input.
- Provide the capability for generating all of the appropriate debit and credit entries (at least four pairs) to the general ledger from a single line of information with a transaction reference code.
- Process system-generated transactions, such as automated accruals, closing entries, cost allocation transactions, recurring payments, and transactions that generate other transactions in those cases where a single transaction is not sufficient, using transaction definitions that may be easily maintained by a knowledgeable and authorized person.
- Provide the capability for transactions to liquidate, partially or in full, the balance of existing documents. This capability will be used in the liquidation of commitments, undelivered orders, payables, receivables, or other items, as appropriate.

Transaction Control Process

In addition to recording transactions originally entered into the Core financial system, the Core financial system must be able to process transactions originating in other systems, recording and keeping track of such transactions and related information, in order to provide the basis for central financial control. The Transaction Control process requirements are grouped under two activities: Audit Trails and Transaction Processing.

Audit Trails. Adequate audit trails are critical to providing support for transactions and balances maintained by the Core financial system. While audit trails are essential to auditors and system evaluators, they are also necessary for day-to-day operation of the system. For example, they allow for the detection and systematic correction of errors that arise.

To support this activity, the Core financial system must:

- Provide audit trails to trace transactions from source documents, original input, other systems, system-generated transactions, and internal allocation transactions through the system. Provide transaction details to support account balances.
- Provide audit trails to trace source documents through successive levels of summarization to the financial statements and the reverse.

- Provide audit trails to identify changes made to system parameters and tables which would affect the processing or reprocessing of any financial transactions.
- Provide the ability to select items for review based on user-defined criteria by type of transaction. Examples of reasons to select items are payment certification and financial statement audits.

Transaction Processing. The Transaction Processing activity must ensure that all transactions are handled consistently, regardless of their point of origin. It also must ensure that transactions are controlled properly to provide reasonable assurance that the recording, processing, and reporting of financial data are properly performed and that the completeness and accuracy of authorized transactions are ensured.

To support this activity, the Core financial system must:

- Provide the capability to post to the current and prior months concurrently until month-end closing and to maintain and report balances separately for the current and prior months. For example, a user could post transactions in early December for events that apply to November. At the same time, transactions for events occurring in December should be posted to affect December balances; these transactions would be reflected in December reports but not the November reports. Barring unusual circumstances, this overlap should be of limited duration (a few days) at the beginning of each month.
- At year-end, provide for the capability to post to the current year by month, as well as to the prior year, regardless of when year-end closing occurs. For example, a user should be able to post to the previous fiscal year, while also posting transactions to the new year.
- Provide control over the processing and reprocessing of all erroneous transactions through the use of error file(s) and/or suspense accounts. Erroneous transactions must be maintained and tracked until either corrected and posted or deleted at the request of an authorized user.
- Provide standard record format(s) for interface of transactions from other systems to the Core financial system, and subject all transactions from interfacing systems to the Core financial system edits, validations, and error correction procedures.
- Support both batch and on-line data entry, and use the same edit and update rules as appropriate for each mode.
- Support simultaneous data entry/access by multiple users in a variety of modes.

Functional Requirements

Core Financial System Management Function

- Comply with management controls designed to ensure that transactions are processed in accordance with prescribed standards and procedures, the integrity of data in the system is maintained, and access is restricted to authorized users.

Archiving and Purging Process

The Archiving and Purging process supports data management for the Core financial system. It removes data which is no longer needed for immediate access from the system data stores used for inquiry and reporting on current information. Archiving moves data to a storage medium that has a longer access time, for example, from disk to tape. Purging deletes data altogether. Archiving and purging criteria should be jointly agreed to by the system administrator and users to balance user needs with resource limitations.

To support the Archiving and Purging process, the Core financial system must:

- Archive transactions and related information needed for audit trails in a format accessible by audit software.
- Provide the capability to archive or purge closed documents.
- Allow documents to be reopened.
- Purge (or archive) other core financial system data stores as needed to limit data maintained to that appropriately needed for analysis and control.
- Retain system records in accordance with federal regulations established by the National Archives and Records Administration (NARA), GAO, and others.
- Archive data needed for comparative analysis and presentation of historical information.

**General Ledger
Management
Function**

General Ledger Management is the central function of the Core financial system. The general ledger is the highest level of summarization and must maintain account balances by the fund structure and individual general ledger accounts established in the Core Financial System Management function. Depending on the agency's reporting requirements, some or all general ledger accounts may have balances broken out by additional elements of the accounting classification structure.

The general ledger is supported by subsidiary ledgers at various levels of detail. These subsidiary ledgers may be maintained within the Core financial system or in other systems. For example, detailed property records supporting the equipment account in the general ledger might be maintained in a system devoted to controlling and maintaining equipment. The payroll system might contain detailed employee pay records which support records of expenditure by object class and organization in the Core financial system, which in turn provide partial support for expenditure and expense accounts in the general ledger.

All transactions to record financial events must post, either individually or in summary, to the general ledger, regardless of the origin of the transaction. Posting of transactions whose initial point of entry is the Core financial system would normally be expected to occur for each transaction individually. Posting of transactions originated in other systems may occur either for individual transactions or for summarized transactions as long as an adequate audit trail is maintained. The Core financial system is not expected to maintain duplicates of every transaction occurring in other systems. For example, rather than posting every payroll transaction for every employee, summary transactions by organization could be passed to the Core financial system for posting.

The General Ledger Management function consists of the following processes:

- General Ledger Posting
- Accruals, Closing, and Consolidation
- General Ledger Analysis and Reconciliation

**General Ledger
Posting Process**

This process records financial transactions in the general ledger using double-entry accounting. The posting rules that specify which accounts to debit and credit for each transaction are defined in the Standard General Ledger process of the core financial system management function.

To support the General Ledger Posting process, the Core financial system must:

- Post transactions to the General Ledger in accordance with the transaction definitions established by the Core Financial System Management function.
- Maintain historical data to produce comparative financial reports for management use.

**Accruals, Closing
and Consolidation
Process**

This process creates accrual transactions and closing entries needed at the end of a period (month or year) for reporting purposes. It also controls and executes period-end system processes needed by the system to open a new reporting period, such as rolling forward account balances. This process supports the preparation of consolidated financial statements by identifying information needed in that process.

To support the Accruals, Closing, and Consolidation process, the Core financial system must:

- Provide for month-end and year-end closing and rollover of the General Ledger account balances under the control of an authorized system administrator.
- Provide the capability for multiple preliminary year-end closings before final year-end closing, while maintaining the capability to post current period data.
- Provide the capability for selective, automatic generation of recurring accrual entries and reversals in the next fiscal period.
- Allow for accruals of contracts or other items that cross fiscal years.
- Selectively generate required transactions as needed by the year-end closing procedures.
- Separately identify amounts which would be eliminated when preparing intraagency and interagency consolidations.
- Prepare trial balances and other supporting information needed for external reports and financial statements, including consolidated statements.

**General Ledger
Analysis and
Reconciliation
Process**

This process supports the control functions of the General Ledger. The Core financial system provides information for accountants to use in determining that amounts posted to general ledger control accounts agree with more detailed subsidiary accounts and in reconciling system balances with reports from Treasury and other agencies. As internal controls improve and system integration increases, the likelihood of out-of-balance conditions decreases; however, the possibility will always exist as a result of system failures, incorrect transaction definitions, etc.

To support the General Ledger Analysis and Reconciliation process, the Core financial system must:

- Report a comparison between the amounts in the other components of the Core financial system and the related control accounts in the General Ledger and annotate on the report those accounts which are out of balance.
- Provide control accounts in the General Ledger to balance between the General Ledger and other systems, such as, property, travel management, etc.
- Provide mechanisms for users with the proper authorization to correct out-of-balance conditions discovered during the reconciliation process. Maintain an audit trail of any such corrections, either internal or external to the system.

**Funds Management
Function**

Each agency of the federal government is responsible for establishing a system for ensuring that it does not obligate or disburse funds in excess of those appropriated and/or authorized. The Funds Management function of the Core financial system is an agency's primary tool for carrying out this responsibility.

OMB Circular A-34, "Instructions on Budget Execution," and, to a lesser extent, OMB Circular A-11, "Preparation and Submission of Budget Estimates," set government-wide policy for funds management with which the Core financial system must conform. In addition to supporting the government-wide policies, the Funds Management function must support agency policies on internal funds allocation methods and controls.

An agency may have many other systems in addition to the Core financial system that affect funds management. For example, procurement and travel systems prepare documents that commit and obligate funds. These and other systems that affect funds availability should access data and use processes of the Core financial system to verify that funds are available and to update balances. When possible and cost-effective, these systems should access the funds availability editing activity before allowing an obligation to be incurred, such as a contract being signed. In some cases, such as payroll, this may not be practical.

The Funds Management function consists of the following processes:

- Funds Allocation
- Funds Control

**Funds Allocation
Process**

This process records an agency's budgetary resources and supports the establishment of budgetary limitations at each of the levels required within the agency. The higher levels, such as appropriation, apportionment and allotment, have the weight of legal authority behind the limitations. Lower levels of control are generally used for internal management purposes.

To support the Funds Allocation process, the Core financial system must:

- Provide the capability to record the funding and related budget execution documents.
- Establish limitations and control the use of funds against them consistent with appropriation and authorization language.
- Establish limitations in accordance with credit reform objectives for loan programs, including program lending limits and available subsidy amounts.

Funds Control Process

- Distribute, track, control, and report funds authorized at various funding levels, based on the SGL and accounting classification structure.
- Modify limitations in accordance with apportionment actions, reprogramming, rescissions, and other adjustments.
- Record and control funds that receive other budgetary authority in addition to appropriations, and identify the type of authority.
- Record the expiration and cancellation of appropriation authority in accordance with OMB Circular A-34 and the SGL.
- Provide for maintaining operating plans at or below the funds control level of the classification structure.
- Allow authorized personnel to reallocate funds at designated levels.
- Provide the ability to account for budgetary resources at a lower level in the accounting classification structure than they are budgeted and controlled.

This process records transactions affecting the resource usage accounts in the budgetary section of the U.S. Government Standard General Ledger (e.g., commitments, undelivered orders, expenditures, reimbursements earned). It also provides appropriate warnings and controls to ensure that budgetary limitations are not exceeded. The Funds Control process consists of the following activities: Funds Availability Editing, Commitments, Obligations, and Analysis.

Funds Availability Editing. This activity verifies that sufficient funds are remaining at the various control levels specified in the Funds Allocation process for each transaction processed which may affect available funds balances. If sufficient funds are not available, notification is provided so that appropriate action may be taken.

To support the Funds Availability Editing activity, the Core financial system must:

- Provide for notification of funds availability prior to the issuance of a commitment, obligation, or expenditure.
- Update funds available to help prevent the incurrence of commitments/obligations/expenditures in excess of available fund balances. In particular, the system must:
 - Provide for designated authorities to establish and modify the level of funds control using elements of the classification structure, including object class, program, organization, project, and fund.

- Provide for designated authorities to establish and modify the system's response (either reject transaction or provide warning) to the failure of a funds availability edit for each transaction type.
 - Provide the capabilities and controls for authorized users to override funds availability edits.
 - Provide notification to users, in the appropriate manner, of transactions failing the funds availability edit. In some cases (such as a request for goods and services not filled yet), the appropriate action is to place the transaction in an error file and/or suspense account for corrective action. In other cases, where the actual event has already occurred (such as labor hours worked or a contract already signed), the transaction should be recorded and a warning or report issued to alert the user to the need for follow-up action.
 - Record the financial impact of all transactions which affect the availability of funds, such as commitments, liquidations, obligations, and expenditures.
 - Update all appropriate accounts to ensure that the system always maintains the current status of funds.
- Use the appropriate calculations for determining funds availability on adjustments to obligations or expenditures based on whether the funds cited are current, expired, or cancelled.
 - Check commitment transactions against available funds.
 - Check available funds for obligating documents (including amendments to obligating documents resulting in a change to dollar amounts or to the classification structure).
 - Check available funds when the expenditure exceeds the obligating document due to quantity or price variances within tolerances, additional shipping charges, etc.
 - Adjust available funds balances as reimbursable orders are accepted. In the case of reimbursable orders from the public, an advance must also be received before additional funding authority is recorded.
 - Check available funds for commitments and obligations incurred in support of reimbursable agreements.

Commitments. This activity records commitment documents, such as requisitions. Commitments are an optional stage prior to the establishment of an obligation. Commitments can be a useful tool in funds management by helping users to anticipate future procurements. They should be used when helpful to an agency's management process, but are not necessary, or even appropriate, for all obligations.

To support the Commitment activity, the Core financial system must:

- Provide the capability to enter commitment documents into the Core financial system on-line and from multiple locations, as well as through an interface with other systems.
- Capture, at a minimum:
 - Requisition Number
 - Accounting Classification Structure(s)
 - Estimated Amount(s)
- Provide for modifications to commitment documents, including ones which change the dollar amount or the accounting classification structure cited. Invoke funds availability editing for the changed amounts.
- Allow for commitment documents to be future-dated, stored, and posted at the appropriate date.
- Close commitment documents under the following circumstances: (1) by the system upon issuance of an obligating document, (2) by the user with appropriate authorization, and (3) as part of the year-end closing.

Obligations. OMB Circular A-34 defines obligations as amounts of orders placed, contracts awarded, services received, and similar transactions during a given period that will require payments during the same or a future period. Such amounts include outlays for which obligations had not been previously recorded and reflect adjustments for differences between obligations previously recorded and actual outlays to liquidate those obligations.

To support the Obligation activity, the Core financial system must:

- Record obligations based on obligating documents and liquidate the related commitments, either partially or fully at the user's request.
- Record obligations for which there is no related commitment.
- Maintain information related to each obligation document, including amendments. At a minimum, the Core financial system must capture:
 - Obligating Document Number
 - Vendor Number
 - Accounting Classification Structure(s)
 - Dollar Amount(s)
- Allow obligation documents to be entered into the Core financial system on-line and from multiple locations, as well as through an interface with other systems.

- Allow for transactions creating anticipated obligation documents to be entered early, stored, and posted at the appropriate date in order to aid in distributing workload. If the anticipated obligation does not occur, permit the user to delete the transaction without posting it.
- Allow multiple commitments to be combined into one obligating document, and one commitment document to be split between multiple obligating documents.
- Provide for properly authorized cancellations of posted obligating documents.
- Provide on-line access to all obligations by selection criteria, e.g., document number.
- Maintain an on-line history file of closed out documents for a user-defined period of time.
- Retain (for audit trail purposes) the original machine readable records along with all amendments.
- Close obligating documents either (1) by the system automatically, upon complete performance/delivery or (2) by the user, with appropriate authorization.
- Record various intra-governmental acquisition types such as GSA Personal Property Center, reimbursable orders, and printing from the Government Printing Office (GPO).
- Record and maintain contracts and grants so that fiscal year-to-date and inception-to-date information can be presented.
- Record Blanket Purchase Agreements (BPA's) and records of call.
- Record delivery orders on contracts.
- Record expenditures related to payments made out of an imprest fund, using third-party drafts, and government credit cards.
- Record expenditures claimed against advance payments made, such as travel advances, contract advances, and grant payments made in advance.

Analysis. The Analysis activity provides information necessary to support analysis of the Funds Management function. It provides information on funds availability at the levels defined and compares data in the Funds Management function to data in other functions to ensure consistency.

To support the Analysis activity, the Core financial system must:

- Maintain current information on commitments and obligations according to the classification structure, on a fund by fund basis.
- Track the use of funds against operating or financial plans.
- Report plan to actual at the level of the operating plans.
- Summarize, compare, and report the operating plans to the appropriate level of funds control.
- Provide the ability to produce detailed listings and summary reports by the defined level of funds control for those documents which represent commitments, undelivered orders, and expenditures.
- Provide control features which ensure that amounts reflected in the fund control structure agree with the General Ledger account balances at the end of each update cycle.
- Maintain historical data on all commitment, undelivered order, payable, and payment transactions.
- Maintain open documents to show status of commitments, undelivered orders, accruals, and disbursements by document line item.

**Payment
Management
Function**

The Payment Management function should provide appropriate control over all payments made by or on behalf of an agency. Agencies make payments to vendors in accordance with contracts; to state governments under a variety of programs; to employees for salaries and expense reimbursements; to other federal agencies for reimbursable work performed; to individual citizens receiving federal benefits; to recipients of federal loans; and for many other reasons.

OMB Circular A-125, *Prompt Payment*, specifies government policy for payments made to vendors against contracts, stating, in part, that agencies must make payments on time, pay interest penalties when payments are late, and take discounts only when payments are made on or before the discount date and when it is advantageous to the government. The Cash Management Improvement Act (CMIA) specifies requirements for payments made to states. Regulations implementing CMIA are at 31 CFR Part 205. Other regulations affect payments made for travel, payroll, benefits, etc.

Depending on an agency's system architecture, specific activities performed relating to payments may be supported by other systems which provide summary data to the Core financial system for control and management purposes. For example, payroll systems usually trigger the actual disbursement process to pay employees through direct deposit or by check and send only the expense and disbursement information to the Core financial system for recording by the general ledger, funds control, and cost accumulation processes. Likewise, large loan and grant programs might be supported by systems that maintain their own detailed information on payees and payments and send summary data to the Core financial system. If this situation exists, these other systems must meet the requirements listed here for payment management.

Other systems may also support activities which lead up to the payment stage, such as recording obligations and expenditures and establishing payables, but depend on the Core financial system to manage the actual payment process itself. For example, a travel system might calculate the amount to be paid on a travel voucher and send transactions to the Core financial system to record the expenses and a payable to the traveler. The Core financial system would then take over to schedule the payment for disbursement and confirm that it occurred.

The Payment Management function consists of the following processes:

- Payee Information Maintenance
- Payment Warehousing
- Payment Execution
- Payment Confirmation and Follow-up

**Payee Information
Maintenance
Process**

The term “payee” is used here to include any entity to whom a disbursement may be made, for example, individuals and organizations providing goods and services, employees, grant recipients, loan recipients, and other government agencies. In an integrated system, payee information needed to make payments should be coordinated with information needed for other purposes and in other systems. For example, a company that provides goods and services to an agency should have a common identifier associated with it that is shared by the procurement and payment processes, so that contract information and payment information can be linked, even if the addresses for ordering and paying are different. Furthermore, if the same company was also to receive payments from the agency, such as a loan, that information should also be available to the procurement and payment processes.

To support the Payee Information Maintenance process, the Core financial system must:

- Maintain payee information that includes data to support obligation, accounts payable, and disbursement processes.
- Support payments made to third parties that act as an agent for the payee.
- Maintain information needed to support IRS 1099 reporting, including Taxpayer Identification Numbers and payee type (e.g., sole proprietorship, partnership, corporation). In cases where a third party acting as agent receives the payment, maintain 1099 information for the principal party rather than the agent.
- Allow multiple payment addresses and/or bank information for a single payee.
- Provide search capability for payee information.
- Produce payee listings based on agency defined criteria, e.g., payee name and number.

**Payment
Warehousing
Process**

This process recognizes and records payments due to another entity in the near term. These payments may be due for any of several reasons, for example, as a result of receiving goods and services in accordance with contract terms, under a loan or grant agreement, as an advance payment for goods or services to be provided in the future, or as a progress payment under a construction contract.

OMB Circular A-125 requires documentation to support payment of invoices and interest penalties, including information from contracts, invoices, and receiving reports. These documents should be matched through a process, which may be automated, manual, or a combination, that ensures that payments are made in accordance with contract terms and applicable regulations. Adequate internal controls should be in place to verify that goods

and services paid for were actually ordered and received and are paid for only once and at the agreed-upon price.

To support the Payment Warehousing process, the Core financial system must:

- Warehouse and schedule payments in accordance with applicable regulations, for example, OMB Circular A-125, the Cash Management Improvement Act, and travel regulations.
- Record an accrued liability upon receipt and acceptance of goods and services and properly identify them as capital asset, expense, prepaid expense, or construction.
- Access previously entered information and/or record additional information necessary to determine the due date and amount of vendor payments in accordance with OMB Circular A-125, based on invoices, receiving reports, and contracts or purchase orders. Due date determination should consider special situations such as contract provisions specifying non-standard acceptance periods, laws specifying payment terms for certain commodities such as meat or dairy products, failure to return a defective invoice in a timely fashion, and other situations specified in OMB Circular A-125.
- Be capable of splitting an invoice into multiple payments on the appropriate due dates when items on the invoice have different due dates.
- Record discount terms, and determine whether taking the discount is economically justified as defined in the Treasury Financial Manual, Volume I, section 6-8040.
- Record additional shipping and other charges to adjust the payment amount, if they are authorized.
- Adjust the asset or expense recorded with the liability if the authorized payment (based on the invoice) is different from the amount accrued (based upon receipt and acceptance) using contract information and any increase is within agency tolerances. Adjust the obligation amount as well, and edit for funds availability to cover increases.
- Update the funds control and budget execution balances to reflect changes in the status of undelivered orders and expended appropriations as well as changes in amounts. Amounts may be different because of changes in prices or other authorized charges.
- Establish payables and make payments on behalf of another agency citing the other agency's funding information.
- Allow orders to be reopened by authorized staff after final payment has been made.

- Allow changes to payment schedules by authorized staff prior to submission to the disbursing office.
- Handle credit memoranda for returned goods or other adjustments. The capability must allow applying a credit memorandum to a payment due to the vendor issuing the credit or, if there are pending orders, to a future payment; or, if there are no outstanding payments to the vendor and no pending orders, establish an accounts receivable.
- Reestablish payables for voided checks or checks that have been returned but have not been negotiated; and allow for reversing the accounting transaction leading to the disbursement and re-establishing a payable, as appropriate.
- Record obligations, expenses, assets, etc., associated with payments made through use of imprest funds, third-party drafts, and government credit cards. Establish payables to replenish the imprest fund or pay the financial institution handling the third-party drafts and credit cards.
- Schedule payments of advances, prepaid expenses, loans, grants, etc., with the appropriate accounting entries for each.
- Record expenses, assets, etc., based upon performance funded by advances, prepaid expenses, and grants, and make the appropriate liquidations. Update funds control balances to reflect obligation changes.

**Payment Execution
Process**

This process supports activities required to make a payment which was warehoused or to record a payment made by another system. Agencies for whom Treasury does the actual disbursing prepare requests for disbursements that are transmitted to Treasury. Some agencies have their own disbursing authority and can print checks or make electronic transfers themselves.

To support the Payment Execution process, the Core financial system must:

- Identify and select payments to be disbursed in a particular payment cycle based on their due dates. Provide the capability for review and certification by an authorized certifying officer.
- Allow specific payments selected for disbursement to be excluded from the payment cycle and held for later payment.
- Compute amounts to be disbursed to include discounts, withholdings, interest or penalties in accordance with applicable regulations. Generate the appropriate transactions to reflect the above deductions and additions.

- Include on each payment relevant identification information (e.g., contract number, invoice number, and interest penalty amount and calculations).
- Collect information on discounts taken, discounts lost and interest penalties to comply with applicable prompt pay reporting requirements.
- Calculate totals by appropriation symbol for inclusion on the payment schedule, except unidentified appropriations.
- Provide for various forms of payment to be used, i.e., check, or electronic transfer of funds (e.g., ACH, wire). The requirements related to these payments are:
 - Consolidate multiple payments to a single payee, up to the prescribed limitation in order for the disbursing office to produce one check and itemize all payments covered by the one check. Allow for separate checks to a payee in specific instances where needed.
 - Allow a payment to be removed from the automated scheduling stream and to be scheduled as a manual payment.
 - Provide the capability to schedule and make payments in various forms (e.g., ACH, SF-1166) as required by an agency's disbursing office(s) including physical media (e.g., tape, electronic transfer).
- Prepare reports to Treasury on disbursements made by an agency with its own disbursing authority.
- Process transactions resulting from payments made using other systems, such as payroll. Record disbursements, assets, expenses, obligations, or other accounts as appropriate, but do not schedule a payment to be made by the Core financial system, since the payment has already been accomplished by the other system.
- Record disbursements made through OPAC by another agency against the agency's funds.
- Record payments made by another entity, such as a finance center, on behalf of the agency using agency funds.

**Payment
Confirmation and
Follow-up Process**

This process confirms that disbursements were made as anticipated and supports inquiries from vendors regarding payments and reporting requirements relating to the Payment Management function.

To support the Confirmation and Follow-up process, the Core financial system must:

- Provide information about each payment to reflect the stage of the scheduling process that the payment has reached and the date each step was reached:
 - Payment scheduled
 - Schedule sent to appropriate disbursing office
 - Payment issued by appropriate disbursing office
- Provide for the comparison of the agency's payment schedule and disbursing office's accomplished payment schedule.
- Update the agency's records when payment information is received from disbursing office to include: the paid schedule number, check numbers, and date and amount of payment.
- Maintain payment history of every payment by the Core financial system authorizing document number, payment schedule number, payment date, invoice number, vendor number, and appropriation charged.
- Provide on-line access to vendor and payment information.
- Provide on-line access to open documents based on agency selection criteria, e.g., document number.
- Produce IRS 1099s.
- Produce the SF-224.
- Produce the SF-1219 and SF-1220.
- Produce supporting information needed to prepare the Prompt Pay report in accordance with requirements in OMB Circular A-125.

**Receipt
Management
Function**

The Receipt Management function supports activities associated with recording agency cash receipts, including servicing and collecting receivables. Receivables are established to account for amounts due from others as the result of performance of services by the agency, delivery of goods sold, the passage of time (e.g., interest earned), loans made to others which must be repaid, or other actions. Some receipts may be collected without the prior establishment of a receivable, as in the case of goods sold for cash.

A receivable is recognized when the agency establishes a claim to cash or other assets against other entities, either based on goods or services provided or on legal provisions, such as a payment due date (e.g., taxes not received by the date they are due). If the exact amount is unknown, a reasonable estimate is made. Receivables are accounted for as assets until funds are collected, converted into other resources, or determined to be uncollectible in whole or in part.

Depending on an agency's system architecture, servicing and collection activities for some receivables may be supported by other systems which provide data to the Core financial system. This would be particularly appropriate for receivables resulting from large programs with complex supporting data requirements, such as loan programs, grant programs, or fee-for-service programs. Servicing and collection for receivables with simpler requirements for supporting data, such as those resulting from erroneous payments, may be supported directly by the Core financial system with no support by other systems.

The Receipt Management function includes recording, billing, monitoring, and collecting amounts due the government whether previously established as a receivable or not. These activities must be supported by aging schedules, exception reports, and reports used to monitor due diligence efforts.

The Receipt Management function consists of the following processes:

- Receivable Establishment
- Receivable Management
- Collections

**Receivable
Establishment
Process**

The Receivable Establishment process supports activities to produce bills for amounts due to the agency and to record receivables in the system as they are recognized. To support the Receivable Establishment process, the Core financial system must:

- Support the calculation and generation of customer bills based upon billing source, event and/or time period, and type of claim in accordance with agency program requirements. Bases used for billing may include, but are not limited to:

- percentage of reimbursable obligations, accrued expenditures, or costs using data recorded by the Cost Accumulation function
 - fee schedules for goods or services provided
 - duplicate payments
 - erroneous payments
 - payment schedules or other agreements with other entities
- Record the establishment of receivables along with the corresponding revenues, expenditure reductions, or other appropriate offsets.
- Support the establishment and tracking of receivables to be paid under installment plans, including plans for which payments have been rescheduled.
- Print bills using different methods to accommodate the generation of standard forms such as SF-1080's or SF-1081's, and turnaround documents to be used as a remittance advice.
- Prepare and transmit billing data to the Online Payment and Collection (OPAC) system operated by the Treasury Financial Management Service to obtain funds from other federal agencies in accordance with interagency agreements. Provide supporting data for OPAC transactions to agencies billed which can be used by them to verify the OPAC charges.
- Allow transactions related to manually prepared bills to be entered by authorized personnel with proper internal control compliance.
- Record adjustments to bills and post to customer accounts.
- Date the bills with the system generated date or with the date supplied by an authorized user.
- Print statements as well as bills.
- Accept transactions from other systems in a standard format for entry into the Core financial system.

**Receivable
Management
Process**

The Receivable Management process supports activities to maintain information on entities owing the government (name, address, etc.); age receivables; make efforts to collect amounts due including related interest, penalties, and administrative charges; liquidate receivables; record adjustments to receivables including OPAC charge-backs; maintain a proper allowance for uncollectible amounts; and record write-offs. To support the Receivable Management process, the Core financial system must:

- Maintain detailed information by account (e.g., individual, employee, private sector organization, state or local government, or other federal

agency) sufficient to provide adequate audit trails and to support billing and research activities.

- Maintain accounts for reimbursable orders and identify government and nongovernment accounts.
- Update each account when billing documents are generated and collections are received.
- Provide the ability to add, modify, or delete nonfinancial account data by authorized personnel.
- Maintain individual receivables and references to appropriate supporting documentation.
- Provide on-line query capability to receivable and account information.
- Provide information, on a summary basis and on individual receivables, on the age of receivables to allow for adequate management and prioritization of collection activities.
- Provide for the calculation and assessment of interest, administrative charges, and penalty charges on overdue receivables. Allow for the waiver of these charges with appropriate authority.
- Identify and report receivables which meet predetermined criteria for bad debt provisions or write-off.
- Maintain data for receivables referred to other federal agencies and/or outside organizations for collections.
- Record the write-off of delinquent or uncollectible receivables and maintain data to monitor closed accounts.
- Produce dunning (collection) letters for overdue receivables, in accordance with Treasury requirements and existing legislation.
- Provide the user the ability to customize the dunning process parameters and dunning letter text.
- Provide information to allow either manual or automated reporting of delinquent accounts to commercial credit bureaus and referral to collection agencies or other appropriate governmental organizations.
- Produce IRS 1099s in the amounts of debts forgiven.
- Maintain a history of billings and receipts for each receivable and account, in accordance with agency requirements.
- Match receipts to account number or bill number and apply to appropriate receivable(s).

- Provide the ability to apply receipts to more than one receivable.
- Update receivable balances on a document-by-document basis, classifying and posting against principal, interest, fees, etc., as appropriate.
- Identify receivables which have been reduced by some means other than cash collections, such as adjustments.
- Provide for reestablishment of a receivable for checks returned due to insufficient funds.

Collections Process

The Collections process supports activities to record the receipt of funds either by currency (e.g., cash, electronic funds transfer) or check and the deposit of such funds in accordance with Treasury and agency regulations. To support the Collections process, the Core financial system must:

- Record complete and partial receipts according to the Debt Collection Act of 1982 and other applicable regulations.
- Record revenues, expenditure reductions, or other appropriate offsets associated with collections for which no receivable was previously established.
- Track deposits and related debit vouchers for reconciliation to deposit confirmation information provided by Treasury or the banking system.
- Provide for the processing of cash or credit card receipts.
- Provide information to allow for offset of funds due to delinquent indebtedness through appropriate means, such as administrative offset, federal employee salary offset, and income tax refund offset.

**Cost Management
Function**

The Cost Management function of the Core Financial System attempts to measure the full cost of federal programs, their activities, and outputs. This is essential for providing accurate program measurement information, performance measures, and financial statements with verifiable disclosure of the cost of activities. Statement of Federal Financial Accounting Standards Number 4, *Managerial Cost Accounting Concepts and Standards for the Federal Government*, published by OMB based on FASAB's recommendations prescribes the managerial cost accounting concepts and standards for the federal government. The term cost refers to monetary value of resources used or sacrificed or liabilities incurred to achieve an objective, such as to acquire or produce a good or to perform an activity or service.

The level of sophistication of the Cost Management function is dependent on the operational nature (appropriation only, appropriation with reimbursable authority, revolving fund), the programs involved, and the requirements of the agency. For example, in an environment where the primary mission is to produce a product for sale, the costing function necessary for product costing is done in the Managerial Cost Accounting System which is integrated with the Core Financial System. However, in any Core system there are certain basic functions that must be present.

The Cost Management function consists of the following processes:

- Cost Recognition
- Cost Accumulation
- Cost Distribution

Once costs have been recognized, the system accumulates costs in accordance with agency requirements, then provides for the distribution of costs to cost objectives.

**Cost Recognition
Process**

Recognition of the effects of transactions in financial systems is fundamental to the accounting process. Recognition determines when the results of an event are to be included in financial statements and ensures that the effects of similar events and transactions are accounted for consistently within the Federal government.

To support the Cost Recognition process, the Core financial system must:

- Use the accrual basis of accounting when recognizing costs. The cost of goods and services used, consumed, given away, lost or destroyed must be recognized within the period of time the event occurred, regardless of when ordered, received, or paid for. Similarly, revenues must be recognized when earned.
- Reduce asset balances such as inventories and prepaid expenses as they are used and expensed.

- Use the agency's accounting classification structure to identify information such as fund, program, organization, project, and object class to support the cost accumulation and distribution processes.

Cost Accumulation Process

Cost Accumulation refers to the measurement of resources used in accomplishing a mission objective, such as performing a service, providing a product, or carrying out an activity such as a project or a program. This process provides for the collection of cost data in some organized way. SFFAS No. 4 requires that costs be accumulated by responsibility segments and classified by type of resource, such as costs of employees, materials, utilities, etc. Cost Accumulation provides the information needed for accountability over the financial execution of public programs, meaningful comparisons to measure compliance with management policies, evaluation of the efficiency and economy of resources used in the various activities, and support for fees, services or products.

To support the Cost Accumulation process, the Core financial system must:

- Provide support for the fees, royalties, rents, and other charges imposed by the agency for services and things of value that it provides. Sufficient information must be accumulated to support CFO recommendations made during biennial reviews on revising the charges to reflect costs incurred by the agency in providing those services and things of value.
- Identify all costs incurred by the agency in support of activities of revolving funds, trust funds, or commercial functions, including the applicable portions of the related salaries and expense accounts identified with those activities.
- Provide for a variety of information to support the decision making process, the management of the agency and external reporting. This will include:
 - Cost reports to be utilized in the analysis of programmatic activities.
 - Supporting schedules and operating statements in support of financial statement preparation and audit.
 - Meaningful cost information needed to support performance measures.
 - Ability to provide cost information directly to other systems in the agency requiring this data.
 - Ability to receive cost information directly from the Managerial Cost Accounting System for reporting and analysis.
 - Cost information for comparison to other program data to determine compliance with planned budgeted activities and effective utilization of available budgetary resources.

- Support of the billing process by providing cost information to the receivable function for producing bills.

Cost Distribution Process

In order to achieve increased uniformity and consistency in accounting for costs, agency standards should provide criteria for the assignment of accumulated costs to reporting periods and cost objects in accordance with SFFAS No. 4. A cost object is a function, organizational subdivision, contract, or other work unit for which cost data are desired and for which provision is made to accumulate and measure the cost of activities, products, jobs, capitalized projects, etc. SFFAS No. 4 states that

the purpose of cost accounting by a responsibility segment is to measure the costs of its outputs. Thus, the final cost objects of a responsibility segment are its outputs: the services or products that the segment produces and delivers, the missions or tasks that the segment performs, or the customers or markets that the responsibility segment serves. There may be intermediate cost objects that are used in the course of the cost assignment process.

When identifying cost objects, consideration must be given to the need to support the preparation of financial statements (e.g., Operations Statement, supplemental data, performance measures). The cost distribution basis used must provide for meaningful information supportive of the management decision processes. Agency cost accounting standards provide the basis for consistent allocation of cost including: (a) the determination of the methods by which costs are to be allocated to cost objects, (b) the definition of costs which may be assigned to cost objects, and (c) the determination of the accounting period to which such costs are assignable.

To support the Cost Distribution process, the Core financial system must:

- Provide for identifying costs, based on the accounting classification structure, including the ability to:
 - Identify and record direct costs incurred, including input on costs from feeder systems, such as inventory, travel, payroll, etc.
 - Allocate indirect costs to interim and final cost objects using a method consistent with agency cost accounting standards. The preferred method for assigning indirect costs is one that best provides for a causal/beneficial relationship between the costs being distributed and the cost object receiving the cost. Indirect cost allocation may be based on total cost incurred, direct labor hours used, square footage, metered usage, or any other reasonable basis.
 - Allow for multilevel allocation and reallocation.
 - Support variance analysis, adjustment of rates and disposition of variance by performing periodic allocations to adjust cost based on estimated rates to the actual costs incurred for the period.

- Provide the capability to distribute costs to cost objects regardless of how they have originally been posted to the system (e.g., for financial statement presentation).
- Provide an audit trail that traces the transaction from the original cost pool to the final cost object.

Reporting Function

The Core financial system must be able to provide financial information in a timely and useful fashion to (1) support management's fiduciary role; (2) support budget formulation and execution functions; (3) support fiscal management of program delivery and program decision making; (4) support internal and external reporting requirements, including, as necessary, the requirements for financial statements prepared in accordance with the form and content prescribed by OMB, reporting requirements prescribed by Treasury, and legal, regulatory and other special management requirements of the agency; and (5) monitor the financial management system.

Information maintained by the Core financial system must be provided in a variety of formats to users according to their needs. Methods of providing information include on-line inquiries, extract data files, and hard-copy reports. These requirements could be satisfied by (1) application software that is part of the Core financial system, (2) generalized reporting/inquiry software that works with a variety of applications, or (3) a combination of both, the most likely case.

The Reporting function consists of the following processes:

- Access to Information
- Financial Reporting
- System Monitoring

**Access to
Information Process**

For financial information to be timely and useful, the Core financial system must provide for the ready access to the information it contains. That information must be easily available and understandable to personnel with varying levels of technical knowledge of systems and financial data. Personnel with relatively limited knowledge of the system or of financial accounting concepts and principles should be able to perform access functions with minimal training on the system, and save access requirements for later use if needed.

To support the Access to Information process, the Core financial system must:

- Allow for the information contained in the system to be queried to present specific detailed data as requested.
- Present information resulting from system queries formatted to facilitate the understanding of the information by non-technical users, and unformatted for more technically proficient users.
- Provide for the production of formatted reports by personnel accessing the system. The system must allow for the reformatting of reports to present different sorts of the information, the presentation of only specific information in the format selected, the summarization of data,

and the modification of report formats to tailor the reports to the specific requirements of the user.

- Allow users to design reports and extract files for their specific requirements, and to perform table look-ups and expansion of codes when needed to clarify the information contained within the reports.
- Facilitate the analysis of information contained in the system by allowing analysts to obtain report information and the results of system queries in data files that can be transferred to other applications or analytical tools.
- Provide for the easy access to historical files for comparative, analytical and trend information.

Financial Reporting Process

The Core financial system must provide complete, reliable, consistent, timely and useful financial management information on operations to enable central management agencies, individual operating agencies, divisions, bureaus and other subunits to carry out their fiduciary responsibilities; deter fraud, waste, and abuse of resources; and facilitate efficient and effective delivery of programs by relating financial consequences to program performance. The Core financial system must be designed to support agency budget, accounting, and financial management reporting processes by providing consistent information for budget formulation, budget execution, programmatic and financial management, performance measurement and financial statement preparation.

To support the Financial Reporting process, the Core financial system must:

- Use financial data that can be traced directly to SGL accounts to produce reports providing financial information, whether used internally or externally.
- Maintain accounting data to permit reporting in accordance with accounting standards recommended by the Federal Accounting Standards Advisory Board (FASAB) and issued by the Director of OMB, and reporting requirements issued by the Director of OMB and the Secretary of the Treasury (See Appendix B).
- Provide summarized data electronically to systems used by the agency for decision support and financial statement preparation.
- Provide data in the format required, including electronic formats, to central agency systems used for summary financial reporting.
- Report events and transactions according to the accounting classification structure and within a given accounting period.

- Maintain the financial information required for program performance, financial performance, and financial management performance measures and needed for budgeting, program management and financial statement presentation.
- Produce, distribute, and provide access to formatted reports defined by agency management for the specific requirements of the agency.

**System Monitoring
Process**

To ensure the efficient operation of the system, the safeguarding of the data contained within the system, and the integrity of the data within the system, the Core financial system must provide diagnostic tools necessary to alert system management to problems with the operation of the system.

To support the System Monitoring process, the Core financial system must:

- Provide supporting information needed to monitor the overall operation of the system to determine if operations are on schedule, all necessary operating steps have been completed successfully, and alert the system manager to malfunctions on a timely basis.
- Provide system managers with sufficient information to determine the functions and operations performed by specific users, and reports generated or accessed.
- Perform and report the result of data integrity verifications such as reconciliations between reports produced and data sets within the system, and the results of validity, combination and balancing edits.
- Provide for sufficient audit trails to trace data errors and the result of various operations of the system.

Terminology

This section prescribes certain terms that have been used throughout this document. The source of each definition is identified in parentheses following the definition; the terms are all found in one of the following sources:

- OMB Circular A-34, “Instructions on Budget Execution”; referred to as A-34.
- OMB Circular A-11, “Preparation and Submission of Budget Estimates”; referred to as A-11.
- *Treasury Financial Manual*; referred to as TFM.
- U.S. Government Standard General Ledger; referred to as SGL.
- Commonly used terms within the federal sector; referred to as Common Term.

Accomplished payments

A term used by Treasury and agency personnel to refer to payments requested by an entity and made by Treasury or a non-Treasury disbursing office on the behalf of that entity. (Common Term)

Agency

Any department, agency, commission, authority, administration, board, or other independent establishment in the executive branch of the government, including any corporation wholly or partly owned by the United States that is an independent instrumentality of the United States, not including the municipal government of the District of Columbia. (A-34, Part II, Section 21.1, p. II-2)

Agency location code (ALC)

Code assigned by Treasury to each reporting unit requiring the preparation of an SF-224. The first two digits of the symbol identify the department or agency, the third and fourth digits identify the particular bureau within that department, and the remaining four digits identify the lowest level of reporting required for the particular agency accounting station within that bureau (e.g., Letter of Credit, Trust Funds, all other, etc.). The ALC must be shown on all correspondence, forms, and other documentation forwarded to financial institutions, FMS, other federal agencies, and to Treasury Regional Financial Centers, and particularly on all SF-215s: Deposit Tickets, and/or related SF-5515s: Debit Vouchers. (TFM 2-3320.10)

Apportionment

A distribution made by OMB of amounts available for obligation in an appropriation or fund account into amounts available for specified time periods, activities, projects, objects, or combinations thereof. The amounts so apportioned limit the obligations that may be incurred. (A-34, Part II, Section 21.1, p. II-1)

Appropriation or fund account

A summary account established in the Treasury for each appropriation and/or fund showing transactions to such accounts. Each such account provides the framework for establishing a set of balanced accounts on the books of the agency concerned. As used in A-34, this phrase refers to general fund expenditure accounts, special fund expenditure accounts, public enterprise revolving funds, intragovernmental revolving funds, management funds, trust fund expenditure accounts, and trust revolving fund accounts. (A-34, Part II, Section 21.1, p. II-4 and 5)

Appropriations

One of the basic forms of budget authority. Statutory authority that allows federal agencies to incur obligations and to make payments out of the Treasury for specified purposes. An appropriation act is the most common means of providing budget authority, but in some cases the authorizing legislation itself provides the budget authority. (A-34, Part II, Section 21.1 (Budget authority), p. II-3)

Authority to borrow

One of the basic forms of budget authority. Statutory authority that permits a federal agency to incur obligations and make payments for specified purposes out of borrowed moneys. (A-34, Part II, Section 21.1 (Budget authority), p. II-3)

Budget authority

Authority provided by law, including joint resolutions making continuing appropriations (also known as continuing resolutions), and becoming available during the year to incur obligations. The basic forms of budget authority are appropriations, authority to borrow, and contract authority. (A-34, Part II, Section 21.1, p. II-3)

Commitment

The amount of allotment or lower level authority committed in anticipation of an obligation. (SGL, definition of account 4700)

Contract authority

One of the basic forms of budget authority. Statutory authority under which contracts or other obligations may be entered into prior to an appropriation for the payment of such obligations. The later enacted appropriation provides cash to liquidate such obligations. (A-34, Part II, Section 21.1 (Budget authority), p. II-3)

Disbursements

Payments made using cash, checks, or electronic transfers. Disbursements include advances to others as well as payments for goods and services received and other types of payments made. (Common Term)

Expenditures

The balance in SGL account 4900, Expended Appropriations. Paid and unpaid expenditures for (a) services performed by employees, contractors, vendors, carriers, grantees, lessors, or other government funds; (b) goods and tangible property received; and (c) amounts becoming owed under programs for which no current service or performance is required (i.e., annuities, insurance claims, other benefit payments). (SGL, definition of account 4900)

Expense

The outflows of assets or incurrence of liabilities during a period resulting from rendering services, delivering or producing goods, or carrying out other normal operating activities. (SGL, definition of account 6000)

Fund account

(See Appropriation or fund account)

GOALS

Government Online Accounting Link System. The electronic network which ties agencies to Treasury and each other for the exchange of information. Over the network, agencies can transfer funds to each other and receive notification that Treasury has accomplished disbursements. Also, agencies and Treasury can submit and receive reports once exchanged in hard copy format by mail. The GOALS network can be used with a wide variety of terminals and modems. (Common Term)

Imprest fund

A fixed-cash or petty-cash fund in the form of currency, coin, or Government check, which has been advanced as Funds Held Outside of Treasury and charged to a specific appropriation account by a Government agency official to an authorized cashier for cash payment or other cash requirement as specifically authorized. The fund may be a revolving type, replenished to the fixed amount as spent or used, or may be of a stationary nature such as a change-making fund. (I TFM 4-3020)

Limitation

A funding restriction, imposed by OMB, a department, or an agency, that places a ceiling for obligational/spending authority. The limitation may exist at any level within a funding structure or may be imposed using an independent structure. (Common Term)

Object classification

A method of classifying obligations and expenditures according to the nature of services or articles procured, e.g., personal services, supplies and materials, and equipment. Obligations are classified by the initial purpose for which they are incurred, rather than for the end product or service provided. OMB Circular A-11 provides current object classifications for reporting budget estimates to OMB. Many agencies have defined lower levels of object classification for internal use. (A-11, Sec 35.1)

Obligation

Obligations are amounts of orders placed, contracts awarded, services received, and similar transactions for bona fide needs existing during a given period that will require payments during the same or a future period and that comply with applicable laws and regulations. Such amounts will include outlays for which obligations had not been previously recorded and will reflect adjustments for differences between obligations previously recorded and actual outlays to liquidate those obligations. (A-34, Sec. 21.1, p. II-7)

Organization structure

The offices, divisions, branches, etc. established within an entity based on responsibility assignments, whether functional or program related. (Common Term)

Outlay

The measure of government spending for budget purposes. Payments to liquidate obligations (other than the repayment of debt). Except where outlay figures are labeled as gross, they are stated net of any related refunds and offsetting collections. Outlays generally are equal to cash disbursements, but they are also recorded for cash-equivalent transactions, such as the subsidy cost of direct loans and loan guarantees, and interest accrued on public issues of the public debt. (A-11, Section 14.1, p. 35) (Note that, although not technically correct, the terms "expenditures" and "net disbursements" are sometimes used interchangeably with "outlays".)

Program structure

The budget programs, activities, etc. on which budgetary decisions are made, whether legally binding, as in appropriation limitations, or in the nature of policy guidance, as in Presidential passbacks, Congressional markup tables, or internal agency decisions. (SGL p. IV-1)

Project

A planned undertaking of something to be accomplished, produced, or constructed, having a finite beginning and finite end. Examples are a construction project or a research and development project. (SGL p. IV-7)

Reimbursable order

May also be known as Customer Orders. Orders for goods and services to be provided by the agency to another entity in return for payment. (Common Term)

Summary of External Reporting Requirements

This appendix describes the minimum specific external reports to be supported by the Core financial system. These reports are presented in a chart, which identifies report title, form, purpose, level, basis, frequency, and guidelines. The reports must be produced using the specific instructions referenced and must conform to Treasury and OMB guidance.

It should be noted that the report descriptions reflect the current reporting standards of the central financial agencies as of the date of publication. These descriptions do not provide the detailed specifications of the report contents. To obtain this information it will be necessary to refer to the guidelines identified. Reporting requirements are likely to change as FASAB pronouncements are issued and approved and as OMB and Treasury work to streamline and improve reporting processes.

Summary of External Reporting Requirements

<i>Title</i>	<i>Form</i>	<i>Purpose</i>	<i>Level</i>	<i>Basis</i>	<i>Frequency</i>	<i>Guidelines</i>
Program and Financing Schedule (actual data columns)		Supporting information for agency budget submissions to OMB	Appropriation/Fund Account	Cash	Annually	OMB Cir. A-11 SGL Crosswalk
Report on Budget Execution	SF-133	Report utilization and status of budgetary resources	Appropriation/Fund Account	Cash/ Obligation	Monthly/ Final	OMB Cir. A-34 SGL Crosswalk
Report on Execution (Direct and Guaranteed Loans)	SF-143	Presents information on the budgetary resources available to the accounts; provides information on the obligations that were incurred and the available balances; and represents the cost to the taxpayers of the activities in this account	Appropriation/Fund Account	Cash/ Obligation	Monthly	OMB Cir. A-34
Federal Agencies' Centralized Trial-Balance System (FACTS) Note: TFM Bulletin No. 93-07 schedules implementation	Electronic reporting replacement of SF-220, SF-220-1, SF-221, SF-222, and SF-223	Report data for consolidation from FACTS into the U.S. Government Consolidated Financial Statement	Appropriation/Fund Group	Accrual	Quarterly/ Annually	TFM Bulletin No. 93-07, Vol. I (final requirements will be issued in the Treasury Financial Manual).
Report on Financial Position	SF-220	Reports all assets, liabilities, and equity of the U.S. Government	Each revolving fund. Each trust revolving fund. Each of the 15 major trust funds. All other trust funds combined. All other activities combined. Consolidated reports.	Accrual	Annually	1 TFM 2-4100 SGL Crosswalk Bulk Transfer
Additional Financial Information	SF-220-1	Provides format for fair presentation disclosures to SF-220	Supporting form required for the SF-220	Accrual	Annually	1 TFM 2-4100 Bulk Transfer User's Guide
Report on Guaranteed Loans	SF-220-8	Provides information for monitoring status of guaranteed loans	Appropriation/Fund Account but can vary	Accrual	Quarterly/ Annually	TFM Bulletin 92-04 Bulk Transfer User's Guide
Report on Receivables Due from the Public	Replaces SF-220-9	Provides information on the status of public receivables and delinquencies	Appropriation/Fund Account but can vary	Accrual	Quarterly/ Annually	Bulk Transfer Instructional Workbook (March 1994)

Summary of External Reporting Requirements (continued)

<i>Title</i>	<i>Form</i>	<i>Purpose</i>	<i>Level</i>	<i>Basis</i>	<i>Frequency</i>	<i>Guidelines</i>
Report on Operations	SF-221	Reports of the financial results of all federal programs and activities	Required for all reporting entities	Accrual/ Cash	Annually	1 TFM 2-4100 SGL Crosswalk
Report on Cash Flow	SF-222	Shows the sources and uses of resources during the reporting period	Required for all reporting entities	Accrual	Annually	1 TFM 2-4100 SGL Crosswalk
Report on Reconciliation	SF-223	Reconciles outlays and accruals for the reporting period	Required for all reporting entities	Accrual/ Cash	Annually	1 TFM 2-4100 SGL Crosswalk
Statement of Transactions	SF-224	Reports disbursements, collections, and status of collections	Agency location code by Appropriation/Fund Account	Cash	Monthly	1 TFM 2-3300 Bulk Transfer User's Guide
Report on Obligations	SF-225	Reports obligations incurred and unpaid	Appropriations/Fund Account	Cash/ Obligation	Quarterly	1 TFM 2-4400 SGL Crosswalk
Statement of Accountability	SF-1219	Provides an analysis of disbursing officers' activities in agencies which do not do their own disbursing	Agency location code and Disbursing Officer	Cash	Monthly	1 TFM 3100
Statement of Transactions	SF-1220	Reports disbursements and collections in agencies which do their own disbursing (the counterpart to SF-224)	Agency location code and Appropriation/Fund Account	Cash	Monthly	1 TFM 3100
Year-end Closing Statement	TFS-2108	Reports financial results in terms of availability; excess/restoration/transfer of funds	Appropriations/Fund Account	Modified Accrual/Cash/ Obligation	Annually	1 TFM 2-4200 SGL Crosswalk
Statement of Financial Position	N/A	Disclosure statement of assets, liabilities, and equity	Trust and revolving funds, accounts substantially commercial (Pilot testing agencywide statements-10 agencies)	Accrual	Annually	OMB Bulletins on Form and Content of Financial Statements
Statement of Operations and Changes in Net Position	N/A	Reports financing sources and gains against expenses, losses, and transfers out	Same as the preceding for balance sheet	Accrual	Annually	OMB Bulletins on Form and Content
Statement of Cash Flows	N/A	Presents all significant sources and uses	Same as the preceding	Cash	Annually	OMB Bulletins on Form and Content
Statement of Budget and Actual Expenses	N/A	Comparison of actual amounts on financial statements to actual amounts on budget reports	Same as the preceding	Accrual/ Obligation	Annually	OMB Bulletins on Form and Content
Information Returns	1099-MISC, 1099-G, etc.	Provide information to the Internal Revenue Service on payments made or debts forgiven	Taxpayer identification number	Cash	Annually	IRS instructions for forms 1099, 1098, 5498 and W-2G

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